

## Message Text

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PAGE 01 OTTAWA 05581 242220Z  
ACTION OES-07

INFO OCT-01 EUR-12 ISO-00 NRC-05 CG-00 DOTE-00 FEA-01  
ACDA-07 CIAE-00 INR-07 IO-13 L-03 NSAE-00 NSC-05  
EB-07 DODE-00 SS-15 SP-02 FMC-01 DLOS-09 /095 W  
-----081012 242223Z /64

P 242215Z JUN 77  
FM AMEMBASSY OTTAWA  
TO SECSTATE WASHDC PRIORITY 3935  
INFO ERDA HQS WASHDC  
AMEMBASSY BONN  
AMCONSUL HAMBURG  
AMCONSUL MONTREAL  
USDOC WASHDC  
ALL OTHER CANADIAN CONSULS (BY POUCH)

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DEPT PASS NUCLEAR REGULATORY COMMISSION FOR LAFLEUR AND  
BIRKEL

DEPT PASS US COAST GUARD FOR LCDR. J. DECK III

COMMERCE FOR MARAD/Z. LEVINE

SECSTATE FOR OES/NET/HOYLE

ERDA FOR SIEVERING AND NEWBY

E.O. 11652: N/A  
TAGS: EWWT, ENRG, ETRD, TECH, CA  
SUBJECT: NUCLEAR ICEBREAKER QUESTION

REF: OTTAWA 3995

1. FOLLOWING CECO DEBRIEFING OF BABCOCK AND WILCOX (SEPTEL  
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BEING PREPARED) RE ITS EILIMINATION FROM CANADIAN PROCUREMENT COMPETITION, TCO MET JUNE 22 WITH CANADIAN COAST GUARD COMMISSIONER O'NEIL WHO APOLOGIZED FOR NOT KNOWING OF THE CECO FINDING WHEN WE LAST MET ON MAY 17 (REFTEL).

1. O'NEIL STATED EMPHATICALLY THAT THIS FINDING WAS BASED ENTIRELY ON TECHNICAL CONSIDERATIONS AND RESULTED IN

ELIMINATION OF GERMAN AS WELL AS U.S. FIRM. FINAL COMPETITION WOULD THUS BE BETWEEN THE U.K. AND FRENCH CONTENDERS. EVALUATION OF PROPOSALS, HE SAID, WAS ON THE BASIS OF A 600-POINT SCALE WHICH ASSIGNED FIFTY POINTS TO "PRICES AND TERMS" AND THE REMAINDER TO A VARIETY OF MORE TECHNICAL FACTORS. THE FOUR CONTENDERS SECURED 80, 75, 70 AND 44 PERCENT, RESPECTIVELY, OF THE 600 POINTS. O'NEIL WOULD NOT INDICATE WHETHER THE BRITISH OR FRENCH CAME INTO THE EIGHTY PERCENT CATEGORY. THE SCALE WAS CONSTRUCTED AROUND THE POLAR VII CONCEPT AND O'NEIL ALLOWED THAT THE FINDINGS MIGHT BE DIFFERENT IF A DECISION IS TAKEN TO GO TO POLAR X. HOWEVER, THIS DECISION HAS YET TO BE MADE.

3. TCO TOLD O'NEIL HE HAD HEARD U.S. SUPPLIER'S INITIAL REACTION WAS TO CONSIDER CECO REASONING FOR ELIMINATION AS RATHER WEAK AND WAS CONSEQUENTLY THINKING OF PREPARING REBUTTAL. O'NEIL WELCOMED THIS AND SUGGESTED IT BE DONE QUICKLY IN VIEW OF GOC DETERMINATION TO BRING ISSUE TO CABINET IN JULY. PROCEDURE SHOULD BE FOR BABCOCK AND WILCOX TO GO BACK TO CECO, BUT TO ADVISE O'NEIL AT SAME TIME. O'NEIL PROMISED TO HAVE ONE OR MORE SENIOR COAST GUARD OFFICIALS ATTEND ANY SUCH MEETING.

4. HOWEVER, HE CONTINUED THAT EVEN IF BABCOCK AND WILCOX IS SUCCESSFUL ON TECHNICAL FRONT, THERE MAY BE FINANCIAL HURDLE AS U.S. BID IS STILL QUITE HIGH. ORIGINAL OFFER  
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WAS AT ABOUT 157 MILLION DOLLARS (INCLUDING DEVELOPMENT COSTS); EACH OF THE OTHER THREE WERE HALF THAT AMOUNT OR SLIGHTLY LESS. THE DIFFERENCES AMONG THEM WERE SLIGHT AND THERE HAVE BEEN NO INCREASES FROM THE ORIGINAL PROPOSALS. O'NEIL RECOGNIZED THAT U.S. GROUP HAD ALREADY MADE A SUBSTANTIAL REDUCTION IN ITS OFFER, BUT SUGGESTED CONSIDERABLY MORE WOULD BE REQUIRED TO BRING ITS PROPOSAL INTO BALL PARK, EVEN IF TECHNICAL QUESTIONS SUCCESSFULLY OVERCOME.

5. O'NEIL WILL BE IN WASHINGTON DURING WEEK OF JUNE 27 AND HOPES SEE LEVINE AT MARAD FOR FURTHER DISCUSSION OF ISSUE.

6. RECOMMENDATION: EMBASSY BELIEVES BABCOCK AND WILCOX SHOULD ACCELERATE EFFORTS TO PRESENT REBUTTAL TO CECO AND SHOULD LOOK AGAIN AT ITS PRICE PROPOSALS--INCLUDING ANY ATTRACTIVE TERMS IT MAY BE ABLE TO OFFER. ENDERS

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Disposition Date:** 22 May 2009  
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**Original Handling Restrictions:** n/a  
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**Review Markings:**  
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